OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
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HEALTH AFFAIRS

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MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (M&RA)

SUBJECT: Policy for Department of Veterans Affairs Participation in TRICARE

References: (a) ASD (HA) Policy Memorandum 00-004, "Use of Health Care Facilities of the Department of Veterans Affairs (VA) under TRICARE and the Supplemental Health Care Program," dated May 16, 2000;
(b) ASD (HA) Policy Memorandum 99-023, "Policy for Inclusion of VA Health Facilities TRICARE Network Providers," dated May 14, 1999;
(c) ASD (HA) Policy Memorandum 96-042, "Policy for the Review and Approval of VA Participation Agreements under TRICARE," dated May 1, 1996;
(d) ASD (HA) Policy Memorandum 96-005, "Policy on Use of Supplemental Care Funds by the Military Departments," dated October 18, 1995.

This memorandum is to update the Department of Defense policy on the use of health care facilities of the Department of Veterans Affairs (VA) based upon recent agreements between the Department of Defense (DoD) and the VA and acquisition of the next generation of TRICARE contracts. It is DoD policy to enter into direct care sharing agreements and to include VA facilities as TRICARE network providers where it is to the mutual benefit of both Departments. DoD's vision of its relationship with the VA is that of a mutually beneficial, proactive federal partnership that optimizes the use of federal resources and infrastructure to improve access to quality health care and increase the cost-effectiveness of each department's operations while respecting the unique missions of the VA and DoD medical departments. This memorandum updates references (a), (b), and (c) and is to communicate DoD policy on the use of health care facilities of the VA in the context of that vision.

Reimbursement Rates to VA for Clinical Services under Direct Sharing Agreements

Recently, DoD and VA agreed that reimbursements to VA for medical services shall be set at a universal rate that is ten percent lower than the applicable TRICARE payment level (for example, for outpatient services, the "CHAMPUS Maximum Allowable Charge," or CMAC). DoD and VA will now use regionally adjusted CMAC, (these codes are not adjusted but nationally established) or Diagnosis Related Group (DRG) code rates, less ten percent as the reimbursement methodology for health care buying and selling between the two Departments. This includes programs such as the Supplemental Health Care Program, agreements covering non-active duty beneficiaries who are military treatment facility (MTF) prime enrollees, Joint Ventures, and specialty programs under national DoD-VA agreements (e.g., care for spinal cord injury, traumatic brain injury, and blind rehabilitation) where a clear buyer-seller relationship exists and a discrete episode of clinical care can be assigned a CMAC, or DRG code. This method will not apply to care furnished by VA facilities under TRICARE Prime network

agreements. This method will be used for payment of medical services, but will allow flexibility at joint ventures for modifications needed for unique services, such as those arrangements involving shared space, staffing, or arrangements not involving medical services (e.g., laundry or food service). Any proposed deviation from this discounted reimbursement must be specifically approved by the VA/DoD Financial Management Workgroup. All direct care sharing agreements must be reviewed and approved by the cognizant TRICARE Regional Director.

Initial implementation of this reimbursement method will begin during the first quarter of Fiscal Year 2003 for outpatient care. Implementation for inpatient care, both facility and professional fee components, will begin the third quarter of Fiscal Year 2003, but will be timed to coincide with inpatient itemized billing implementation. Existing Memoranda of Understanding between DoD and VA shall be modified to reflect these changes.

Inclusion of VA Facilities as TRICARE Prime Network Providers

As stated in reference (b), DoD policy encourages inclusion of all VA facilities in TRICARE Prime provider networks. In accordance with the June 1995 Memorandum of Understanding between DoD and VA (which is attached to reference (c) and remains in effect), this policy is carried out through agreements between VA facilities and the TRICARE regional managed care support contractor (MCSC). The regionally adjusted discounted rate structure for both DoD and VA pertains to direct sharing agreements only, not agreements between the VA and managed care support contractors. VA facilities and the managed care support contractor will negotiate the rate that the managed care support contractor will pay for clinical services performed by the VA as a network provider. Network agreements will continue to be reviewed and approved by the cognizant TRICARE Regional Director in accordance with reference (b).

Inclusion of VA Facilities as Providers under the Supplemental Health Care Program

In accordance with reference (a), MTFs may enter into agreements with VA facilities under the Supplemental Health Care Program (SHCP). Such agreements continue to be authorized. As outlined in reference (d), the SHCP is primarily to pay for care provided by non-MTF providers to active duty members. These funds may also be used under limited circumstances for care of a non-active duty patient ordered by the MTF provider from a non-MTF source to support the MTF provider in maintaining full clinical responsibility for the episode of care. Claims by the VA for reimbursement for SHCP care shall be forwarded to the MCSC and then further processed in the same manner as claims from any other provider of SHCP care, unless another payment method is included in the VA/MTF local agreement. MTF agreements entered into with VA facilities under the SHCP shall be reviewed by the cognizant TRICARE Regional Director.

Inclusion of VA Facilities as Providers for MTF Prime Enrollees

In addition to the authority of MTFs to enter into direct agreements with VA facilities under the SHCP, they now have the authority to enter into agreements with VA facilities for clinical services for non-active duty beneficiaries who are prime enrollees of the MTFs separate from a VA facility participating as a TRICARE Prime network provider. Such agreements may be entered into only where a business case analysis has confirmed the agreement represents the best value for the government and the taxpayer. Best value would be shown where the cost to the government is less than if the services were provided by a TRICARE Prime network provider. Any such agreement shall require the VA to ensure all veterans' non-discretionary benefits and third-party insurance are exhausted before utilizing TRICARE benefits. These agreements are separate and apart from the VA medical care performed as part of the Managed Care Support Contractor's network. All agreements must delineate that the VA is to bill the MTF for all non-active duty beneficiaries who are MTF enrollees when there is an MTF referral.

All agreements entered into shall be reviewed and approved by the cognizant TRICARE Regional Director.

Inclusion of VA Facilities under National DoD-VA Agreements

To further promote the use of VA facilities, authority to enter into national sharing agreements with VA was delegated to the Military Departments on September 24, 1999, to provide health care services for members of both the active and reserve components. Active duty care for spinal cord injury, traumatic brain injury, and blind rehabilitation will be provided by VA at this new agreed rate under these national sharing agreements or as otherwise prescribed by the policies of both Departments. Additionally, emphasis on identifying and expeditiously including VA facilities in referral and management of catastrophic injuries is critical for both high quality health care and for patient management for which the VA will be ultimately responsible. These national agreements continue to be authorized under the Supplemental Health Care Program. VA facilities providing health care services under these agreements shall be reimbursed at the new rates once modified in those agreements regardless of whether payment is made by a local MTF or Military Department.

Claims Processing

For care provided by the VA under a local, regional or national Memorandum of Understanding (MOU), the claim shall be submitted directly to the MTF involved or other DoD entities specified in the applicable MOU. The MTF or other DoD entity shall process and pay the claim in accordance with the MOU. The TRICARE regional managed care support contractor remains responsible for processing and paying only SHCP services not covered by a MOU. For care provided by VA facilities not under a MOU, the VA facility will submit the claim to the managed care support contractor.

Principles for Improving Future Procedures for the DoD-VA Sharing Program

Resource sharing, coordination, collaboration policies and guidelines will continue to adapt themselves to the emergence of new health care delivery processes. Key principles for those policies will be that they support the respective missions, are cost-effective and foster creativity.

My point of contact for VA issues is Mr. Ken Cox, at (703) 681-0039.

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cc: Surgeon General of the Army
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TRICARE Regional Directors